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April 2, 2009

Ms. Mary Rupp  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314-3428

Re: Advanced Notice of Proposed Rulemaking to 12 CFR Part 704

Dear Ms. Rupp:

On behalf of the management and Board of MiddConn Federal Credit Union, I would like to take this opportunity to comment on the recently issued Advance Notice of Proposed Rulemaking (ANPR) to 12 CFR Part 704. We will address three of the areas posed in the ANPR.

We commend the NCUA for allowing natural person credit unions the opportunity to express our thoughts and viewpoints as a part of this evaluative process.

MiddConn Federal Credit Union is \$19 million in assets and has 3,200 members. We have a limited community charter which serves upper Middlesex County in Connecticut.

## **1. Role of Corporate in the Credit Union System**

### **Payment Systems:**

We feel that corporates should continue to play a role in the nation's payment, liquidity, and settlement systems. Many credit unions do not have direct access to other sources, such as the Federal Reserve, for their payment and settlement – the corporate is their primary financial institution for these services. Eliminating these services would cause undo hardship on many credit unions. There aren't the resources or staff to manage daylight overdraft positions with the Federal Reserve. Perhaps some consolidation should occur to remove the redundancies; however, we are not in favor of just one Corporate to do that. We like the local feel and service we receive from our Corporate.



**Liquidity and liquidity management:**

We believe that liquidity should continue to be provided by the corporates. This goes back to the payment and settlement issue. The funds have to be there to cover any settlement shortfalls. Additionally, we need the corporates for liquidity due to the limited access we have to outside borrowing resources.

**Field of membership issues:**

This issue is a hot topic. It has given credit unions options among the various corporates for investment alternatives and payment solutions. However, it has also increased risk taking. There has to be cooperation between the corporate networks. Everyone within the credit union system has to work together in order to survive the outside pressures exerted by non-corporate providers. Corporates have to find a way to cooperate with one other – share resources, payment operations, etc.

**Structure: two-tiered system:**

We believe the two-tiered system should be changed into a single tier – one with retail corporates like Constitution Corporate Federal Credit Union. This would reduce or minimize operational redundancies and overhead.

We do not like the idea of one corporate however; that poses too many risks if problems occur. We could not survive without our current corporate relationship. They are our item processor; they handle all of our settlements; they provide liquidity as needed; they provide our cash handling services; they provide training. When there is a need to change processors (for example, debit card processing), they will negotiate the best possible deal for their member credit unions – this leverage isn't possible on an individual basis. Also, they're a phone call away when needed. They are local; they know us and our particular needs. We do not want to turn to a bank for these services. We like staying within the credit union network for our processing.

**2. Permissible Investments**

Corporates should have different investment authorities from natural person credit unions. We use investments to replace or augment income when lending is down. Also, we do not have the expertise to handle a diversified portfolio. Corporate credit unions carry investments primarily to handle the liquidity needs of their natural person credit unions; consequently corporates need a wider range of short-term investment alternatives. They also must establish and maintain investment strategies to protect the funds deposited by member credit unions to ensure timely repayment of proceeds or on demand. There has to be extensive investment and risk management expertise.

If a corporate wants to engage in complex investments, they should provide an application to request that authority. They need to show a comprehensive understanding of the investment alternatives, applications or use, accounting/portfolio tracking, liquidity, modeling, etc and a commitment to on-going training.

### 3. Corporate Governance

Like natural person credit unions, we believe that corporates should be run by volunteers from their members credit unions. We should not seek directors from outside companies. We also believe that minimum qualifications should be set for all volunteers regardless of their position (board or committee member). Ongoing training is a must. Directors and committee members must be able to demonstrate their ability to serve on the corporate board – this isn't a popularity contest or a way to pad your resume.

**Conclusion -** We believe that there is a need for corporate credit unions – plural not singular. We realize changes have to be made. But, we like and need our corporate credit union. We rely on them every day. We can go to one source for all of our processing needs.

Thank you again for the opportunity to comment.

Sincerely,



Barbara R. Thorpe  
CEO